

VZCZCXRO2330
PP RUEHCD RUEHGD RUEHHO RUEHMC RUEHNG RUEHNL RUEHRD RUEHRS RUEHTM
DE RUEHME #5639/01 3022044
ZNR UUUUU ZZH
P 292044Z OCT 07
FM AMEMBASSY MEXICO
TO RUEHC/DEPT OF LABOR WASHDC PRIORITY
RUEHC/SECSTATE WASHDC PRIORITY 9365
RUEHOT/AMEMBASSY OTTAWA 2331
INFO RUEHXC/ALL US CONSULATES IN MEXICO COLLECTIVE
RUEATRS/DEPT OF TREASURY WASHDC
RUCPDOG/DEPT OF COMMERCE WASHDC
RUEAWJA/DEPT OF JUSTICE WASHDC
RHMFIUU/CDR USSOUTHCOM MIAMI FL
RHEHNSC/NSC WASHDC

UNCLAS SECTION 01 OF 04 MEXICO 005639

SIPDIS

SIPDIS

DEPT FOR DRL/AWH AND ILSCR, WHA/MEX, USDOL FOR ILAB

E.O. 12958: N/A

TAGS: [ELAB](#) [ECON](#) [ETRD](#) [KTEX](#) [PGOV](#) [PHUM](#) [PINR](#) [MX](#)

SUBJECT: COMPETING TEXTILE UNIONS DRAW NAFTA COUNTRIES,
ATTENTION

1. SUMMARY: A dispute among three labor unions for control of a collective bargaining contract in the southern Mexican state of Puebla has drawn the attention of US and Canadian NGO,s and labor unions as well as the concern of American clothing manufacturers. The dispute began this past May when workers at a blue jean factory called Vaqueross Navarra protested what they said was the company,s failure to comply with the terms of a profit sharing agreement. In pressing to have their concerns addressed the workers were notably dissatisfied with their union of record and apparently decided to change labor affiliation. This decision prompted two other labor unions to try and win control of the collective bargaining contract. Meanwhile, as the three unions fought to &represent8 the workers, the original profit sharing issue remained unsolved and a major source of friction between the workers and the company. A variety of organizations and labor unions in the US, Canada and elsewhere have been drawn into this complicated dispute and they have all petitioned the Puebla state government to resolve the issue. The Puebla authorities are very aware that this dispute could become the subject of a formal submission (complaint) under the terms of the NAFTA side agreement on labor which allows any of the signatory countries to officially question violations of local labor law. They are, therefore, scrupulously following the letter of the law for dispute resolution but at a pace that many of the parties involved view as overly cautious. The first step toward a negotiated settlement of the labor union aspect of this dispute could take place as early as October 31, 2007.
END SUMMARY

A DISPUTE IS BORN

2. This past May a labor dispute broke out at the Vaqueross Navarra blue jeans plant in the southern Mexican state of Puebla. Vaqueross Navarra is one of 14 factories in Puebla owned by the Grupo Navarra, a major producer of denim for such US brands as The GAP, Levi,s, American Eagle, Abercrombie & Fitch, Target, Walmart and others. The basis of the dispute is a claim by the workers that the company has failed to abide by the terms of a profit sharing agreement. The roots of the disagreement began earlier in the year when the company claimed that it had made no profits in 2006. The workers were not convinced by the company,s claim since they were well aware that the firm produced and exported over 30,000 pairs of jeans per day to the United States. Consequently, they insisted on being shown Vaqueros

Navarra,s income tax declaration for the year 2006.

13. Vaqueros Navarra was reluctant to make its tax declaration public but ultimately presented the workers with a document it claimed was its 2006 income tax return. Upon studying the document the workers doubted its authenticity since it failed to record significant legitimate expenses they knew had been paid out during that tax year. The workers consequently attempted to obtain the company,s income tax declaration from the GOM,s federal tax authorities. (Comment: Mexican firms (and individuals) are notoriously averse to paying taxes and will reportedly go to great lengths to avoid doing so. It is said that Mexico has the lowest tax collection rates in Latin America. End Comment.) This effort failed but it prompted the company to offer a compromise payment to the workers roughly equivalent to six days wages. The workers countered that according to their calculation of company earnings for 2006 a fair profit sharing payment would amount to a full month,s wages.

14. The company refused to pay a full month,s wages and relations between the roughly 650-700 workers and the management of the Vaqueros Navarra plant steadily deteriorated. Since the start of the dispute, the company has reportedly fired 150 workers for labor organizing activities aimed at obtaining the full benefits of the profit sharing agreement. The exact number of workers fired and the reasons for their dismissal are in dispute and range anywhere from 50 to 300 depending on whose figures one accepts. What does not appear to be in dispute is that relations between the worker and management at the Vaqueros Navarro plant were

MEXICO 00005639 002 OF 004

not particularly good even before the profit sharing disagreement broke out. Verite, the independent non-profit organization which monitors international labor rights abuses in off-shore production sites, found credible evidence to indicate that the company has engaged in forced overtime, pregnancy testing, abusive treatment and safety and health violations and numerous freedom of association issues.

UNION REPRESENTATION; OR LACK THEREOF

15. Officially, the workers at the Vaqueros Navarra plant in Puebla are represented by the CROC labor union (Revolutionary Confederation of Workers and Peasants. The CROC is perhaps Mexico,s third largest federation of labor unions and it is closely associated with the PRI (Institutional Revolutionary Party), Mexico,s former ruling political party. At the national level, the CROC is a labor organization with legitimate accomplishments in gaining and protecting worker rights but like many institutions in Mexico it has its bad elements. Senior CROC officials in Mexico City have unofficially acknowledged to Mission Mexico,s Labor Counselor that they are less than pleased with the way in which their union leaders in Puebla conduct their operations.

16. According to American and Canadian labor observers active in Mexico, the CROC operation at the Vaqueros Navarro plant in question is a &protection contract.8 Protection contracts are bogus collective bargaining agreements signed by a company and a union (or individuals claiming to represent a union) for the sole purpose of creating a management friendly organization that will control the workers. In the case of the jeans factory in question, there are credible reports to suggest that the CROC has never had a presence in the plant, the workers there have never been allowed to actually see the collective bargaining contract their &representatives8 have agreed to on their behalf, the workers have never participated in any type of union assembly nor have they ever been allowed the opportunity to elect their union leadership.

NEW UNION PLAYERS ENTER THE SCENE

¶7. As the labor situation at the Vaqueros Navarro plant deteriorated the workers began to look for new union representation. The representation they appear to have settled on is the September 19 Union which filed a petition with the Puebla state government labor authorities to serve as the workers representative on July 10. The petition was reportedly signed by 551 of the plant's estimated 650 workers. Mexican Federal Labor Law allows the workers at any plant or company to change union representation at any time whenever a majority of those workers petition to do so. In theory, this petition process is relatively simple. In practice, changing from one union to another is a contentious process during which coercive methods can and often are used to get workers to vote one way or another.

¶8. The September 19 Union is affiliated with the Authentic Workers Front (FAT), which is a part of the National Workers Union (UNT). UNT is Mexico's second largest labor federation and refers to itself as being an independent organization. The UNT is independent in the sense that it has no official ties to any political party but unofficially it is closely tied to Mexico's main opposition party, the PRD (Party of the Democratic Revolution).

¶9. At roughly the same time that the September 19 Union petitioned to become the legal representative of the workers at the Vaqueros Navarra plant, another union appeared on the scene. This union, the CROM (the Regional Confederation of Mexican Workers), is perhaps Mexico's fourth largest labor federation and, like the CROC, is officially associated with the PRI political party. The CROM is claiming that it can represent the real interests of the workers at the Vaqueros Navarro plant better than either the existing union of record (the CROC) or the one that most workers seem to want as their representative, the September 19 Union. The only element that the CROM has in its favor is that it appears to be the

MEXICO 00005639 003 OF 004

union that the company would prefer to deal with; which is probably an indication of whose interests it would really represent. The CROM, which has also petitioned the Puebla authorities for recognition as the workers' representative, has reportedly been given access to the Vaqueros Navarro factor in order to solicit worker votes. If true, this would be a violation of Mexican labor law.

INTERNATIONAL ATTENTION FOCUSES ON VAQUEROS NAVARRA

¶10. The ongoing situation at the Vaqueros Navarra plant has drawn considerable international attention including such organizations as the Canadian based Maquila Solidarity Network, the Ontario Public Service Employees Union, the AFL-CIO, United Electrical, Radio & Machine Workers of America (UE) and various other US and Canadian NGOs. All of these organizations have contacted both the labor authorities in Puebla and the US companies doing business there. The US and Canadian labor organization have expressed their concerns that the Puebla government, which is controlled by the PRI, will be swayed in its efforts to resolve the dispute at the Vaqueros Navarro plant in favor of either the CROC or the CROM because both of these unions are officially associated with that political party.

¶11. The inquiries/pressure from these organizations and companies on the Puebla state government has had an effect in the sense that the authorities there are very much aware that they have become the focus of international attention.

THE POSITION OF THE PUEBLA STATE GOVERNMENT

¶12. On October 26, Mission Mexico,s Labor Counselor called on the Puebla state government,s Secretary of Labor and the President of Labor Conciliation and Arbitration Board to discuss the situation at the Vaqueros Navarro plant. The two state officials carefully explained the concerns of the Puebla government and what the authorities there were doing to resolve this protracted labor dispute. They seemed very keen to reach a negotiated settlement to the dispute but were equally (perhaps excessively) concerned to appear even-handed with all of the parties concerned.

¶13. According to the two state officials the Puebla government is doing everything it can resolve the problems at the Vaqueros Navarra plant. They state that they have meet repeatedly with all of the parties concerned and stressed upon them the need to resolve their differences in strict accordance with Mexican labor law. They state that the Puebla government has gotten all sides (meaning the three competing labor unions) to acknowledge the need for an election by the workers to determine which labor organization will serve as their legal representative. What is still at issue is the what, where, when and how of this election.

¶14. In scrupulously following the letter of Mexican labor law the where, when and how of the union election might not take place for several months; an outcome that is not acceptable to the September 19 or CROM union since this would mean the CROC is still officially the workers, legal representative. What the Puebla government proposes, and what seems to be acceptable to the September 19 Union and international interest groups, is the holding of an interim election known as an administrative recount.⁸ If all three unions accept an interim election, its results would authorize the winning union to serve as the workers, legal representative until a formal election, conducted in full accordance with all the tightly control procedures of Mexican labor law. The Puebla authorities have scheduled a meeting with all three unions for October 31, to try and get them all to agree to the interim election.

¶15. In the meantime, Puebla labor authorities were carefully looking into the circumstances surrounding the fired workers.

According to the two Puebal state officials with the Labor Counselor met, media reports of hundreds of workers being fired are gross exaggerations. (Comment: This assessment is probably true since in a meeting with a September 19 official

MEXICO 00005639 004 OF 004

on October 25, post,s Labor Counselor was told that at most the Vaqueros Navarra plant in question had only 700 employees. End Comment.) Continuing on, the officials said that only 35 fired employees had filed formal complaints about their dismissal and of that number 7 have had their cases resolved to their satisfaction.

¶16. Perhaps the most significant detail the two Puebla state officials related in their meeting with post Labor Counselor was related to the right to vote in any labor elections that are ultimately held. According to the officials, any worker who was employed by Vaqueros Navarro back in May when the labor dispute first began, and only those employed by the company at that time, will be allowed to vote to determine which labor union will serve as the workers legal representative. This means that the company will not be able to pad their employment rolls with people whose votes they control and that even those workers who have been fired since May can vote in the union election if they so choose. The limitation on new employees voting and the eligibility of fired workers to participate in any union election should, theoretically, go a long way toward ensuring that the Vaquero Navarra workers obtain the union representation of their choice.

COMMENT

¶17. The situation at the Vaquero Navarra plant in Puebla is complicated and the information available to date tends to indicate that not all of the competing unions have the workers, best interests at heart. The Vaquero Navarra company has not been the ideal employer and it is still not clear whether it will honor its profit sharing agreement or properly address the labor issues raised by the non-profit organization Verite. The state labor authorities in Puebla appear to be sincerely working to resolve this labor dispute but at times they seemed more interested in staying on everyone's good side than in quickly resolving an issue that could hurt the image of their state as a good place to invest. If the authorities are able to get the competing unions to agree to a properly monitored interim election the situation at the Vaqueros Navarra plant could take a significant step in the right direction. If a satisfactory interim election is not held this dispute could ultimately become the subject of a formal submission (complaint) under the terms of the under NAFTA,s North American Agreement on Labor Cooperation allow any of the three signatory countries to question violations of local labor law.

Visit Mexico City's Classified Web Site at
<http://www.state.sgov.gov/p/wha/mexicocity> and the North American Partnership Blog at <http://www.intelink.gov/communities/state/nap/> /
GARZA